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Putnam, E. H.

Wages, the Mother of

(Moline, Ill. 1900)

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WAGES, THE MOTHER OF PROFIT.

AN EXPOSITION OF THE STATUS OF WAGES
IN POLITICAL ECONOMY.

BY E. H. PUTNAM.

"THE STONE WHICH THE BUILDERS REJECTED IS BECOME
THE HEAD OF THE CORNER."

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PREFACE.

If, as I believe, the principles taught in the following pages are true, it would be worth the writing of a hundred large volumes in order to their exhaustive exposition. Circumstances, however, compel me to the utmost conciseness compatible with lucidity. He who cannot do all that he would is not thereby excused from doing what he can. I trust that my humble rush-light will prove sufficient illumination for the keener-eyed, and that they in turn will help to shed upon this subject an effulgence that will reveal its central truth to the understanding of the world. I do not address myself to the careless, and I believe that he who "hears the truth willingly" will find it here, and in such guise as will make him glad.

It has been frequently said that the interests of labor and capital are identical; but this seems to have been an axiom of extremely vague meaning hitherto. In this treatise this truth is demonstrated, not only, but why and how it is true is also shown, as also, how to apply it practically in the industrial system, so that the world may have and enjoy at all times all that its united energies can produce.

E. H. PUTNAM.

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INTRODUCTORY NOTE.

This booklet points toward the east whence must come the dawn of a better social day. Its author has been in various capacities intimately related to our industrial life for more than twenty-five years. As superintendent in several of the large manufactories of the land he has stood midway between capitalist and laborer, and has studied the problem from both sides. His words in the essay which follows are a mature and independent statement of conclusions which he has reached, as, for a quarter of a century, he has confronted the growing problem of capital and labor and has endeavored to think it through to a practical solution.

Whatever differences of opinion may arise among intelligent readers as to incidental details of the argument herein advanced, its central contention is, we are confident, unassailable and of paramount importance.

Men and women who appreciate the gravity of the industrial problem which we are today facing are eager to listen to anyone who proposes a remedy for existing evils which is at once based upon sound economic science and capable of being practically applied. To such and to all interested in human welfare this booklet comes with the proposition which it is its purpose to defend, that a high wage is the royal road to high profit and universal prosperity, that the interests of capital and labor are mutual, that the ethical and the economical in industrial relations are coincident. In defence of his proposition the author makes effective use of the economic value of the distinction between fixed and variable prices.

The argument is a convincing demonstration of our industrial solidarity and of the scientific accuracy of the statement, economically applied, that "none of us liveth unto himself." The mission of the essay will be accomplished if it shall help to create and to convert into better industrial conditions an intelligent conviction of the fact, not only that a social system whereby millions of our fellow men are crushed to earth is iniquitous, but that it is the height of economic folly and that permanent prosperity for all can come only as the divine and inseparable correlative of a social order which shall recognize both the economic and moral value of the truth that "the laborer is worthy of his hire."

W. W. WILLARD.

Wages, the Mother of Profit.

John Stuart Mill, in his "Principles of Political Economy," People's Edition, London, 1885, p. 279, says: "There is no mode in which capitalists can compensate themselves for a high cost of labor, through any action on values or prices. It cannot be prevented from taking its effect in low profits. If the laborers really get more, that is, get the produce of more labor, a smaller percentage must remain for profit. From this law of distribution, resting as it does on a law of arithmetic, there is no escape. The mechanism of exchange and prices may hide it from us, but is quite powerless to alter it."

The above opinion is based upon the assumption that with a general increase of wages there would be no increase of production, and that all prices are readily responsive to the laws of supply and demand. Of course, if there is a fixed quantity of current product to be divided between the employers and the laborers, any increase to the one, means a diminution to the other. But, is the theory founded on an adequate conception of industrial affairs under the changed conditions that have developed since Mill's time, or of the economic qualities of different classes of prices, even at the time that he wrote? I think not.

If all prices were alike responsive to the laws of supply and demand, a lowering of the general rate of wages and of profit would make no difference in the value of the general income. But all prices are not alike in this respect; and,

to an examination of this fact, and of its bearing upon industrial economy, the reader's kindly assistance is solicited.

TWO KINDS OF PRICES.

The prices paid by the people are of two very different classes, and may be characterized as fixed, and variable prices. This fact must be recognized, and must never for a moment be lost sight of by him who would fathom the mystery of the alternations of prosperity and adversity that have marked the course of industrial affairs during the last half-century; and to a want of an adequate conception of this difference, and of its bearing upon the questions involved may be ascribed the utter failure of society to master the problem of distribution; for, in our ignorance of the law of distribution lies our weakness.

By variable prices of course is meant the prices of the general products of industry. It may be needful to state right here that this should not include the price of labor. Labor is not a product, but on the contrary it is a producer. True, it is the universal practice to treat it as a commodity, dependent as to its price, upon the laws of supply and demand. But we shall find before we get to the end of our quest that we have made a very grievous mistake in so doing.

Briefly, the variable prices that we have to deal with here are the prices of commodities, which respond readily to the laws of supply and demand;

while the fixed prices are such as do not promptly yield to these laws.

The great bulk of the variable prices are those paid for food and clothing, and for the machinery of production and distribution. That of the fixed prices may be stated as taxes, and usury, or, interest upon debt. It is not important to our present purpose that the proportion that these prices bear to each other be ascertained; but it is very important that we recognize the fact that the fixed prices consume a very considerable fraction of the people's income. The writer is not disposed either to fatigue the reader, or to discredit his intelligence by a labored argument to sustain this position: a cursory glance will suffice. Consider the immense sums paid every year in taxes; national, state, county and municipal; also, the hundreds of millions paid in interest by corporations and individuals, and we shall have a sufficient conception of the ratio between the two classes of prices.

Strictly speaking, the prices that I have designated as being fixed, are not absolutely so, when considered in relation to long periods of time; but all will concede that their approach to fixity is extreme when compared with the oft-fluctuating prices of commodities in general.

Another feature of difference between the two classes of prices may profitably be considered here. It is well known that when adversity falls upon the industries of a country, the people find it more and more difficult to borrow money, and that the general interest charge rises as the pressure of hard times increases. Also, during periods of extreme business depression, the burden of taxation is greatly augmented by the increased criminality and pauperism; all of which must be paid in one form or other by those who have wherewith to pay. It appears therefore that the amount of the fixed prices, so-called, increases at

times when the variable prices are rapidly declining.

There are other prices, namely, such as are established by custom rather than by competition that may be classed with the fixed prices.

Another point of marked difference remains to be noticed, namely; interest and taxes are prices that take precedence to all others in their effective demand for payment. The bond is in the creditor's possession, and it is therefore impossible for the debtor to divert any part of the interest due to the payment of any other price. As to taxes, if the owner of the property fail to pay voluntarily, he will be compelled to pay, as the sheriff will sell his property if necessary thereto. In short, whenever the nominal income of an individual, or of all the people whose incomes are derived from the variable prices is reduced, the full amount of the reduction is of necessity taken from that portion of income which had formerly gone to the payment of the variable prices; *i. e.*, to the purchase of commodities. This being true, a general reduction in the rate of wages cannot possibly be compensated for by a reduction in price of commodities.

OF THE EFFECT OF A GENERAL REDUCTION IN THE RATE OF WAGES.

In order to an intelligent investigation of the effect of a general rise or fall of the wage rate, it is necessary that we agree upon some proportion of a given wage that must go to the payment of the fixed prices, name it in terms of money, and ever after keep to these invariable terms for the fixed prices, devoting the remainder as the total available for the variable prices. It would be extremely difficult to ascertain just what this proportion really is; and the reader will perceive as we proceed that it is not at all necessary to our purpose.

Now, let us assume, for the purpose of illustration, that all labor is fully employed, which would indicate, of course, the very height of industrial prosperity. And suppose that the average—

Wages per capita is, per diem... \$2.00
 Profit per capita, per diem..... .50

Price of the days product 2.50

Now, in order to ascertain the effect upon the workmen and the employer of a general reduction of wages, we have simply to find how long it will take the workman to earn enough money to buy the whole day's product with that portion of his wages that is available for the payment of the variable prices before, and also after the reduction; and the same rule must be employed relative to the employer's profit.

Assuming that the fixed prices consume 25 per cent. of the day's income, this, expressed in money, is 62½ cents; of which 50 cents is drawn from the wages, and 12½ cents from the profit. This being the case, the workman has \$1.50 per day that may be applied to the purchase of the days' product (or its equivalent in other mens' products). $\$2.50 \div \1.50 equals 1⅔. That is to say, the workman can purchase the day's product in 1⅔ day's time. The amount of the profit available for this purpose, after deducting the 12½ cents for the fixed prices is 37½ cents; and $\$2.50 \div \0.375 equals 6⅔. That is to say, the profit available will purchase the day's product in 6⅔ days' time.

Tabulating the foregoing, we have:

| | |
|---|---------------|
| Wages per day, per man | \$2 00 |
| Profit per day, per man | .50 |
| Price of day's product | <u>\$2.50</u> |
| Amount of wages consumed by fixed prices | .50 |
| Amount available for variable prices | <u>\$1.50</u> |
| Amount of profit consumed by fixed prices | .125 |
| Amount available for variable prices | <u>.375</u> |
| Total | <u>\$2.50</u> |

Time required for workman to purchase the days' product, days..... 1.66 plus
 Time required for profit, per cap., available for the purpose to purchase the days' product, days..... 6.66 plus

Now, there are various circumstances that induce the employer to cut wages. Sometimes the conditions are such that he has no other recourse by which he can realize a profit for himself: again, wages are sometimes reduced in order to increase profits. That this course affords at least temporary advantage to the individual employer can not be doubted; and it is generally claimed that though profits, and, therefore prices, follow wages downward when this movement becomes general, yet, when the lower level has been reached, the purchasing power of wages will be equal to what it was before the reduction. And yet, somehow, the business of the country at such time remains depressed! Possibly we overlook the fact that the fixed prices have not fallen at all. The laws of supply and demand have little effect upon these prices; in fact, as was pointed out above, added to the burden of the fixed prices at such a time is the cost of greatly increased criminality and pauperism.

Now, suppose a general reduction of wages to the extent of, say, 25 per cent.; this would give:

| | |
|------------------------------|---------------|
| Wages per day, per man | \$1.50 |
| Profit | <u>1.00</u> |
| Price of product | <u>\$2.50</u> |

According to this it would appear that the employer had been greatly benefitted by the change, as his profits are exactly doubled. But, why did not the employers increase profits by raising prices instead of by cutting wages? The answer is; because competition rendered this impossible. But will competition be less intense now, after having reduced the purchasing power of the great mass of the

population so largely? Indeed will not the sudden falling off of demand consequent upon the great reduction in wages cause a glut of the markets to such an extent as to intensify competition beyond anything before known? Certainly. It is obvious then that the conditions for profit-making are worse now than before.

Competition among employers to get rid of a constantly and rapidly accumulating surplus will proceed with the process of beating down prices: for the battles between workmen and employers are insignificant when compared with the unceasing war of competition among employers solely.

But how much must prices fall before the equilibrium will be restored? Wages were reduced 25 per cent. Let us see what will be the effect of an equal reduction in the price of the product. Our last table gave:

| | |
|------------------------|--------|
| Wages per day | \$1.50 |
| Profit | 1.00 |
| Price of product | \$2.50 |

Reducing prices 25 per cent, we have:

| | |
|----------------------------------|--------|
| Wages per day | \$1.50 |
| Profit | .375 |
| Price of the day's product | 1.875 |

If, now, it shall take no longer to earn money enough to buy the day's product, (after paying the fixed prices, which, as we know, take precedence), than it did before wages were reduced, we shall go on as prosperously as before. We must bear in mind that the fixed prices have not changed; they continue to consume fifty cents of each day's wages, and twelve and one-half cents of the daily profit per man. Deducting 50 cents from the day's wages, we have just \$1.00 that may be applied to the purchase of commodities; and this into the price of the day's product goes 1.875 times. Deducting the 12½ cents payable to the fixed prices from the profits, 25 cents remain. This, into price of the day's

product, 7½ times. Comparing the present purchasing power with what it was before wages and profits were reduced, we find as follows: Before the reduction, the wages would purchase the day's product in, ----- days, ----- 1.66 plus and the profit in ----- days, ----- 6.66 plus. Since the reduction, the wages available will purchase the day's product in days, ----- 1.875; the profit available in ----- days, ----- 7.50.

Thus it appears that, after reducing wages and prices, each by the same rate per cent., the purchasing power of the wages relative to the day's product has fallen 12½ per cent., and that of profit, 12½ per cent.

Referring back to the situation at the outset; all the labor of the land was fully employed, consumption equaling product. Now, all labor is fully employed, but consumption is 12½ per cent short. Thus, we find that neither the workman nor his employer can buy so much now as when wages, profits and prices were higher.

Who then, is benefitted by this condition? Evidently, the recipients of the fixed prices. Every man whose income consists of a fixed salary, or the major part of whose income is from interest-bearing bonds, can now purchase with his income greatly more of the products of industry than before. And if this class of people would, as a matter of fact, purchase the excess of product, the demand for goods would still equal the supply, and the workmen and employers would continue to produce to their utmost capacity, ignorant of the fact that their over-reaching greed had resulted in an enormous gratuity to the passive recipients of the fixed prices!

But, will these latter people buy the accumulating excess of product? It is generally supposed that salaried people and bond-holders have, even in

times when prices are fairly good, as much as they really need of flour, potatoes, pork, beans, coal oil, shoes, stockings, handkerchiefs, buttons, shoe polish, cups and saucers, coal, wood, hats, caps, telephone poles, cast iron, cabbages, etc.

As a matter of fact, these people will simply get what they want much more cheaply than before, some of them purchasing rather more of luxuries, while many will simply *save* more, thus adding to the general stock of capital, which, seeking investment, will still further intensify competition, whose peculiar office is to beat down profits.

Meantime, the excess of product in most lines of industry continues to accumulate, with the inevitable result that employers make still greater reductions in price, many of them offering their goods for less than cost; besides, workmen are being discharged by the thousands all over the country; and as wage workers seldom have much money ahead, the demand for goods is soon still further curtailed by the full amount of the wages that they had been getting, except in so far as general society gives them, to keep them from starving, or pays in the form of increased taxation to support many of them in poor-houses, calaboses, jails and prisons, hospitals and insane asylums!

Everybody will concede the proposition that as productive power increases the product must fall in price; everybody will concede that capital is a product of labor; therefore, everybody *must* concede that, the more of capital a given amount of labor is enabled to produce, the less will be its value. There is absolutely no escape from this; and, in the healthy, well-informed mind there is no desire to escape from it. The inevitable tendency in a progressive society is to diminish the per cent. of profit and the relative number of employers,

while at the same time increasing the aggregate income of the latter and of the workmen also.

Men are constantly endeavoring by every device of inventive genius to cheapen product by increasing productive power, and their efforts in this direction are wonderfully successful. But the no less strenuous endeavor to prevent the decline in value of that part of the product which is set aside to be used as capital must meet with inevitable defeat. If capital were a product of something else than labor then it might escape subjection to the same law that governs the price of shoestrings, or of any other commodity, but since it is entirely a product of labor, its value must be measured over against the amount of labor that was required in order to produce it; and as the price of shoestrings falls, the price of capital will go the same way. The necessary correlative of this is that *man* must rise in value.

Nothing is plainer than that if an individual employer shall reduce wages below what his competitors are paying, other things being equal, his profits will be increased, and the advantage to himself for the time being will be real; for the diminution in the purchasing power of the men of a single factory will have no appreciable effect upon the markets of the world. But it is not the defenseless wage-worker that he has now to deal with, but his equal; his competitor. And how long will the latter permit this advantage? Large numbers of selfish employers are at all times seeking self-aggrandisement by this means, and, though no doubt many deplore the situation, and perhaps plainly see the final futility of such a course, in the unorganized condition of society they are compelled in self-defence to follow suit. And we have seen what calamity a general reduction to the extent of twenty-five per cent. will pro-

duce, though we have not rehearsed the details of bankruptcy, despair, and general demoralization that necessarily follow.

We have seen that after reducing wages and prices, each 25 per cent. the purchasing power of the wages and profit remaining after paying the fixed prices, falls $12\frac{1}{2}$ per cent. as compared with the product, and since the sole beneficiaries, viz.: the recipients of the fixed prices, will not buy this accumulating stock of fish, fowl, and the thousand varied products of general industry, there can not possibly be any effective demand for it, and so, what now takes place, or rather what has been taking place for some time past, under the foregoing conditions, is a very great curtailment of production, throwing thousands of men entirely out of employment, and likewise millions of capital, with general derangement of industrial system, thus increasing the cost of production by disturbance of the economies; prices in many cases falling below the actual cost of production, even at the reduced wages; business men plunging into bankruptcy on every hand, all confidence destroyed, universal "retrenchment" causing still further accumulations of goods that cannot be sold, and a whole nation of people desperately striving to save something from the general wreck.

Here we have a most pitiable spectacle of men who are indeed as "sheep without a shepherd." We are now in the midst of what are called "hard times."

Let us turn from consideration of the foregoing for a little while and take as comprehensive a view as we may of the situation during a period of so-called hard times.

It will not be claimed that there is any lack of productive power; in fact, most people will aver that the very cause of the difficulty is general overproduction; which is equivalent to

saying that there is more than ever before of the things needful to human comfort: therefore, poverty prevails! There is such an excess of cloth that we must do with less clothes till the surplus shall have been reduced! The farmer complains that the price of wheat has fallen below the cost of production; therefore we must do with less bread! The market is glutted with shoes and the price of leather has fallen so low that the tanneries are closing down to wait for a price that will afford a living profit; in short, the world is so rich in the item of shoes that we shall have to go barefoot for a time! The laborer, the mechanic, the farmer, the manufacturer, the merchant—in fact, everybody wishes to sell either labor or the products thereof. While selling and buying are correlative terms, the one being impossible without the other, yet everybody avoids purchasing as far as possible. Here we have the anomaly of a universal endeavor to keep from buying, coincident with a universal endeavor to sell!

In many instances the excessive competition has wiped out profits entirely, and the employer sees no avenue of escape from ruin except by still further reductions in wages. But, as we have seen, this can serve only as a temporary relief, for when it shall have become general, the severity of the situation will be but intensified.

The question may now arise, what keeps the industrial fabric from falling into total wreck? At first glance it would seem that, *if reduction of wages will cause hard times*, and if the latter in turn will impel to still further reduction, then the logical sequence would be universal financial ruin, and a turning back of the race to a state approaching that of the savage! And indeed this is exactly what would happen if there were no limit to the reduction in wages. But employers of labor are not generally the inhuman

wretches that individuals, driven to desperation by hardship, have sometimes called them. As a matter of fact, the majority of employers deplore the necessity for reducing wages to the point that will cause palpable hardship to their workmen, and they who would go much beyond this are deterred by fear or by force. They fear the contempt of the people of their own class, and also the vengeance of the outraged workmen. Therefore, the situation does not get entirely beyond control, though there is always danger that it will, and as the system of division of labor becomes more and more perfected this danger increases.

What a pitiful condition now confronts us, with a large surplus of idle labor and capital, both eager for employment, and wishing to join in production and to share the product, yet absolutely powerless to act. What shall be done? If indeed reduction of wages caused this deplorable condition, then certainly a general increase ought to cure it. But the question at once arises, "how can wages be increased when the wages current consume the whole price of the product?" It is a fair question and must be satisfactorily answered, else the position that we have taken will prove untenable. But before entering upon an investigation of the question as to whether wages can, under these circumstances, be advanced, it would be well to enquire if a general advance would have the desired effect.

"It is a poor rule that will not work both ways." Let us therefore reverse the order by which it has been shown that the business depression was brought about, and see what will be the result.

Our last tabulated statement of the industrial situation was as follows:

| | |
|---|--------|
| Wages per day, per cap..... | \$1.50 |
| Profit per day, per cap | .37½ |
| Price of the day's product | 1.87½ |
| Of these wages, the fixed prices consume, per day..... | .50 |

| | |
|--|-------|
| Of the profit | .12½ |
| Leaving, of the wages, available for payment of the variable prices, per day | 1.00 |
| And of the profit..... | .25 |
| This enabled the wages to pur- chase the day's product in.... days..... | 1.875 |
| The profit in.....days..... | 7.50 |

Now, omitting for the present all consideration of the question how the thing may be accomplished, or even as to whether it may or may not be possible in practice, let us assume a restoration of wages, profits and prices to the original figures, and we find:

| | |
|---|--------|
| Wages per day, per cap..... | \$2.00 |
| Profit per day, per cap..... | .50 |
| Price of product..... | 2.50 |
| Amount of wages per day con- sumed by fixed prices..... | .50 |
| Amount available for variable prices | 1.50 |
| Amount of profit consumed by fixed prices per cap., per day.. | .12½ |
| Available for payment of vari- able prices | 37½ |
| Total | 2.50 |
| Time required for the workman to purchase the day's product days..... | 1.66 |
| Time required for the profit per cap. available for the purpose.. | 6.66 |

This is, of course, a positive gain in the purchasing power of the wage workers and of the profit per capita of 11 + per cent., and to supply this increased demand for all those products consumed by the great mass of people, the hitherto idle labor and capital must once more be set at work.

From all of the foregoing we may deduce the following rule:

If at any time, all the labor of the country is not fully employed, increase wages till demand shall equal the possible supply; and having reached this point let them never be reduced again, and never permit an increase in the tax per capita for the payment of the fixed prices, except for additional value received.

From this basis, human society will advance with bewildering rapidity to a condition of universal affluence that

will make the mere provision for a comfortable living a matter of small concern, and that will leave the greater energies of the race free to work out the grand destiny that is in store for humanity!

There are laws beyond the power of man to defeat, inherent in his very nature, that, under free and untrammelled competition, preclude the *possibility of permanent prosperity to one great producing class, while another great producing class languishes in adversity*. Man's nature is such that he would bring about such conditions if he could, but God's nature is such that he will not permit it.

Civilization, and the science of government have advanced too far to permit of a retrograde movement. We know the possibilities of the powers of production, and that these increase with marvelous rapidity, and that, therefore, the estate of man ought to, and can, nay, and shall improve commensurately.

The weakest point in our social economy is the universal ignorance of the true law of distribution. When men generally shall recognize the fact that the necessary basis of universal prosperity is an ample wage rate, they will find means for its establishment.

It is highly important that we bear in mind that by far the greater part of the increased affluence that society will experience under the new system will arise from the fact that all the productive forces of society will be perfectly free to develop their utmost utility; the effective, or cash, demand for the total product, will insure highly remunerative employment for all and at all times. Indeed the nominal advance in the rate of wages would constitute but a small part of the actual increase of income to the people, for, under the stimulus of never-failing demand, the arts of production would develop more rapidly than ever before, and the increased

product under the true law of distribution would be equitably shared by the whole people.

If we reduce wages just enough to destroy the balance of supply and demand, we shall thereby start the industrial world on the downward course, and panic does the rest. Hitherto, when some great banking concern has failed, or other calamity of moment has befallen, we have proceeded with the utmost dispatch to cut the wages of our workmen upon the plea that retrenchment was absolutely necessary in order to the weathering of the impending storm; and in so doing we have undermined the very basis of our prosperity, for, while we cut our workmens' wages, *competition* cuts our profits, and the recipient of the fixed prices finds that his unmolested income will buy largely more than ever before, and he really wonders what should cause the rest of the people to complain of conditions that he finds so eminently satisfactory!

We have not yet answered the question "How can wages be increased when the wages current consume the whole price of the product?" It is evident that if wages be increased, prices must be advanced also, and in order to do this, concerted action is the only thing necessary. The powers of great combinations of business men have been recently demonstrated in the great industrial consolidations. On various occasions, a single man has been able to advance greatly the price of wheat, and to sustain its price for a considerable period in spite of the efforts of unorganized society in opposition. If society, acting collectively, prompted by enthusiastic belief in the justice of the cause, and having a widely disseminated and well-grounded hope that its success will bring at once universal affluence such as the world has never yet known, shall not be able to follow the course

blazed by individuals who have at times held the world, as it were, in their solitary grasp, then is indeed our case a hopeless one! Granting that employers of labor generally believe that an ample wage-rate is the necessary basis of their own prosperity, would they not speedily organize for the purpose of accomplishing the desired result? At this moment there are organizations of manufacturers in the United States that control, absolutely, the price of the product in their lines. Organized effort is the order of the present day, and society can, and will do the things that it thinks to its material interest to do.

OF THE EFFECT OF HIGHER WAGES AND PRICES UPON THE RECIPIENTS OF THE FIXED PRICES.

The losses to society from derangement of industrial system and from idleness, are vastly more than from any other cause. While it may seem like a hardship to the recipients of the fixed prices to be thus compelled to contribute, as it were, to the general prosperity, in that they are obliged to pay a higher price for what they buy, without receiving any advance in their incomes, yet it can be shown that in the end it will not prove a real hardship; and, besides, if their condition shall prove unsatisfactory, as a result of the steps that have brought abundant prosperity to all other classes, they will be at all times at perfect liberty to join the ranks of the latter, and so to share fully in the general affluence!

A philosophic consideration of the primary causes that move men to action will reveal the fact that it is not simply a desire for greater wealth that spurs the well-to-do to struggle with might and main to pile up millions till the habit becomes a second nature and the unhappy millionaire dies

while still grasping for more! It is not, primarily, a desire for great wealth that moves him to act so strongly; but it is the appalling condition of common humanity under the changeful and demoralizing circumstances of business affairs that impels him to accumulate wealth sufficient to preclude the possibility of his ever becoming subject to the necessity of offering his labor for sale at the market price that himself has helped to establish, with the frequent probability of its being declined at any price!

The augmented prosperity that follows upon the new system is not all, nor even very largely, derived as a direct contribution from the fixed prices. The contribution from the fixed prices is as the seed to the harvest; as the match to the bonfire. The hitherto unemployed labor and capital, and that which has been but partially employed, together with the *immeasurably increased economy of all productive forces*, actually produce the greater part of the added wealth.

To give a very striking, but at the same time, quite consistent illustration of the case; suppose the income of the wage people and employers to be, per capita, two dollars a day, and that the fixed prices consume one-half of it. Now reduce the income to one dollar a day without reducing the fixed prices and there will be absolutely nothing left wherewith to purchase commodities, no matter how low the prices of these may fall; and this would present to the world the pitiable spectacle of a world of men fallen from a condition of independent affluence to one of dependence upon the charity of the recipients of the fixed prices!

Such has at times been the condition of Ireland, and such must necessarily be the condition of any country, no matter how rich in natural resources, where wages are suffered to decline

below a certain limit. The infallible test as to the rate of wages that will conduce to the best interests of all society is to mark whether all labor is fully employed or not. If not, then nothing but a general increase in the wage rate will make possible the permanent employment of the idle, and it is certain that profits will not have reached the highest point till all labor shall be employed.

Crime and pauperism increase greatly the fixed prices, and disturbance of system is immensely expensive. Public expense always increases greatly in times of business distress, when the people are least able to bear it. And since public expense belongs to the division or category of fixed prices, the effect, economically, is the same as would be a still further reduction of wages and profits, though in this case, the recipients of the fixed prices, other than the criminal and the pauper classes, have to bear a portion of the burden. If there is a million of unemployed poor in the country the affluent have to support them in their idleness whether directly or indirectly. But this expense is a mere bagatelle when compared to the incalculable loss resulting from the disturbance of the industrial system. It is plain that if but one-half of the nation's productive force is employed, then the income of the people is but half what it might be. And there have been numerous periods in our recent history when not more than half of these forces were employed. It must be remembered that the number of men who are entirely unemployed, the stores and factories that are totally unoccupied, the mines that lie unworked, the boats that rot in their slips, and the cars that decay upon the sidings, constitute but a minor part of the unemployed factors of production, for, in times of extreme business depression, many factories that still continue to run, curtail the num-

ber of days in the week, or the number of hours in the day, or both; stores that are occupied may not be utilized to the half of their capacity, vessels that had formerly been loaded with merchandise both ways, carry sand ballast one way and a half cargo of goods the other; railroad cars go, loaded, but return empty, while the number of depots, sheds, roundhouses, etc., and the mileage of track cannot be reduced by a dollar's worth. To get a more vivid idea of the loss incident to this condition, imagine the case of a people's building manufacturing structures, store buildings, railroad tracks, rolling stock and general equipment to the extent of one hundred per cent. beyond what is needed. This would be of course, a doubling of the fixed capital without hope or possibility of immediately increasing the product. And yet the actual loss resulting from such a course would not be so great as that consequent upon cutting down the business of the country to one-half its capacity. Because, in the former case all productive forces are fully employed, profits and wages are ample, and a large part of the added facilities will soon be needed and therefore fully utilized, while the remainder, which is, of course wasted, is simply the extravagant expenditure of a wealthy people. But, when a nation's business is curtailed till but a fraction of its labor and capital are employed, it is entirely because of diminishing profit, while the very nature of the situation makes heavier and more grievous the common burdens of society. In the former case the nation is producing much and wasting a portion of the product, while in the latter, we are consuming the accumulations of the past—diminishing our capital by consumption and decay, and conducting our business by methods of extravagance which, compared with the economies possible

under full employment are simply appalling.

I wish to call attention to a most deplorable feature of the industrial situation that might perhaps have been more appropriately discussed earlier in this treatise. It must be obvious to every thinking man that under existing circumstances, in the total lack of organization on the part of employers, the wage rate is subject to diminution whenever it suits the opportunity of the most selfish class of employers. No matter how much inclined the nobler and more generous may be to maintain an ample rate of wages, they must follow the lead of the mean and selfish, whenever the industrial situation shall be such as to make possible the cutting of wages; for, there are always numerous individuals whose capacity for unfair practices in order to self-aggrandisement is so extreme as to make the cutting of wages appear by comparison a virtue! Conceding then, that, in order to the fullest possible employment of all the forces of production, and the highest degree of general prosperity, (under which conditions the stress of competition is, of course, less tense than it can possibly be under any other circumstances) it is necessary that an ample wage rate be maintained, it would seem the part of wisdom for employers generally to organize, with that object in view.

Wages being thus fixed, and the demand for product being equal to the utmost possible supply, competition between employers will be, naturally, as light as it ever can be, and profits will be correspondingly high. Competition among employers will from this time forth regulate the rate of profit, but, as the conditions of life among the wages-receiving class will be so immeasurably better than ever before, the desire to emerge from this class and to conquer a place in the employer class will be greatly less than now,

with the consequent result that competition will never again reach the tense degree that has so often marked it in the past, and profits will not rise and fall so extremely as hitherto, but they will be ample and secure.

An erroneous conception of the law of wages is responsible for most of the great evils that afflict human society today. We have seen that an ample wage rate, never, under any circumstances, to be reduced, would cause demand to equal the greatest possible supply, thus employing all labor, and every other productive force; and we know that under such circumstances the aggregate product would be abundantly sufficient for all.

But under the conditions that exist today, so frightful are the possible circumstances of the great mass of human beings who must subsist upon wages when there is employment, and upon charity when there is none, that many even welcome war as a possible beneficent alternative! And here are we, building battle ships with armor to resist the heaviest missiles this year, and next year our neighbor builds a bigger gun which will defy our steel defense. Then we build larger ships and protect them with improved and heavier armor and in turn our neighbor enlarges his gun and improves his missiles! How much further shall folly lead us in this mad career? It is easily within the power of the nations to divert nearly all this incalculable wealth to the betterment of the conditions of human life.

Because of the intolerable hardships of the life of the lower classes, men fight like savage beasts for pay, and women prostitute their bodies for gain. A few years ago we contemplated with horror the spectacle of the Spanish bull-fight; but, today, any week in the whole round year may be seen in any and all large cities of the United States more brutal and abhorrent fights between human beings!

In the year 1893, at the World's Fair at Chicago, the American public for the first time witnessed the Oriental dance performed by antipodean prostitutes consisting of bodily evolutions whose every movement was a suggestion of lascivious abandonment that made men of none too stringent morals to blush for shame!—and today what was once the dramatic stage of America is become a platform on which immodest women, assisted by males, as a foil, and to add piquancy to the scene, exploit their forms, half nude in fact, and wholly so in suggestion!

Let no man denounce these women. They are the victims of the industrial system, which enriches the few beyond computation, sustains a numerous class in a precarious condition of affluence fraught with nervous anxiety and fear of impending ruin, while the great mass of men and women wage an unequal fight for a respectable subsistence and tremblingly see the chances for emergence narrowing and constantly growing more difficult! Self-preservation is the first law of nature; and let not him who witnesses a lewd scene for mere pastime, condemn by so much as a whisper of censure, the poor creature who gratifies his sensuous appetite in exchange for bread!

Will anybody argue that the reeking sweat shops and the pestilent tenements of the great cities are inhabited by choice, of the haggard swarms of beings created in the image of God? but ah! how marred and wounded by their stronger brothers and sisters! Thus far, the good and pure among men have tried a little here and there in a laudable endeavor to ameliorate conditions they knew not how to cure; have snatched a trainload of tired mothers and sickly children from their hopeless dens and given them a few days' fresh air once in the weary round of months, only to be again and

speedily returned to their habitations of woe! We build homes for the fallen women, and still we stand aghast at the increasing number whose only homes are dens of infamy and lust! Good men and women find a poor fellow who is out of employment, but who is willing to work, and they rest not until they have found him a place where, for a little while, at least, he can get enough wages to buy his bread! But, alas, how inadequate are the well-meant efforts of a fraction of society to counteract the evil effects of a false basis of social conduct. A single man, infected with the plague, can pass through a city and lay its people low, while all the physicians of the world cannot raise them up again!

In the light of the deductions set forth in the former part of this essay, the remedy for the evils of poverty is at hand. Establish a universal (which is not to say uniform) rate of wages which will insure a constant demand for the products of industry equal to the possible supply, and every man will be thus at all times sure of highly remunerative employment to the full extent of his wish. The question will not be then — “can I sell the products of my labor?” but, “what line of work shall I follow, that life may be most agreeable to me?” Then, the artist may follow the bent of his mind, and the musician likewise. Then our young men will not be obliged to accept anything that may first offer a means of subsistence, but each may take up the vocation which at least approximately fits his talents or his tastes. Then, fathers and mothers will no longer set their children to work in dingy factories, but they will be sent to school to learn the new science of political economy and how to become good citizens; how to protect all society for the future from the horrors that result from greed and ignorance; and when the time of

vacation comes, the children—not merely your children and mine, but everybody's children—will romp and play in the parks of our cities, in the pastures where cows stand in the water-brooks; where yellow butterflies “glance across the sunbeam's way;” where meadow larks sing, and health and happiness ride upon the air.

The vastly increased productiveness of system, and of highly economized labor will naturally, and rightly lead to reduction of the hours of labor, both for the wage worker and his em-

ployer, and the tense strain of business life will be relieved, for, the greatest evil of the competitive system will have been removed, namely—the power of inordinately selfish men to reduce wages, and so, to undersell their more humane competitors, thus compelling the latter in self-defense to do likewise, while every step in the downward course of wages, thus instituted invariably by the bad among employers, increases the hardships of all.

ADDENDUM.

I have grounded the foregoing argument upon the indisputable difference, economically, between the two classes of prices, which are here termed the *fixed* and the *variable* prices. Still, if this economic difference in prices did not exist, a general reduction in wages would produce the same disastrous effect upon industry during the transition to the lower level of prices. However, in this case it is possible, theoretically, to restore the balance between supply and demand without reverting to the original wage rate. The movement nevertheless, exhausts the accumulations of the past, and lands us upon the same level of opportunity that we occupied at the outset. Under no circumstances therefore can a decline in the general wage rate be justified.

My last word shall be a heartfelt testimony to the goodness of our Father for that He has provided by unalterable law for the welfare of all, unto the very least of His children.

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